

LOUISIANA SCHOOL FOR THE DEAF
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA



PROCEDURAL REPORT
ISSUED DECEMBER 12, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDIT ADVISORY COUNCIL

SENATOR J. "TOM" SCHEDLER, CHAIRMAN
REPRESENTATIVE CEDRIC RICHMOND, VICE CHAIRMAN

SENATOR ROBERT J. BARHAM
SENATOR WILLIE L. MOUNT
SENATOR EDWIN R. MURRAY
SENATOR BEN W. NEVERS, SR.
REPRESENTATIVE RICK FARRAR
REPRESENTATIVE HENRY W. "TANK" POWELL
REPRESENTATIVE T. TAYLOR TOWNSEND
REPRESENTATIVE WARREN J. TRICHE, JR.

LEGISLATIVE AUDITOR

STEVE J. THERIOT, CPA

DIRECTOR OF FINANCIAL AUDIT

PAUL E. PENDAS, CPA

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$14.46. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3562 or Report ID No. 07801652 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225-339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

November 28, 2007

**LOUISIANA SCHOOL FOR THE DEAF
BOARD OF ELEMENTARY AND
SECONDARY EDUCATION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513, we conducted certain procedures at the Louisiana School for the Deaf for the period from July 1, 2005, through June 30, 2007. Our procedures included (1) a review of the school's internal controls; (2) tests of financial transactions; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities. Our procedures were more limited than would be necessary to give an opinion on internal control and on compliance with laws, regulations, policies, and procedures governing financial activities.

Specifically, we interviewed management personnel and other selected school personnel and evaluated selected documents, files, reports, systems, procedures, and policies, as we considered necessary. After analyzing the data, we developed recommendations for improvement. We then discussed our findings and recommendations with appropriate management personnel before submitting this written report.

The Annual Fiscal Reports of the Louisiana School for the Deaf were not audited or reviewed by us, and, accordingly, we do not express an opinion on these reports. The school's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

**Inadequate Internal Control Over Certain Assets
and Financial Transactions**

The Louisiana School for the Deaf (LSD) did not maintain adequate internal control over certain assets and financial transactions and LSD management did not provide for an adequate segregation of duties. Good internal control requires that duties are adequately segregated and assets are adequately safeguarded. No individual should be able to

initiate, process, and approve the same transaction. The safeguarding of assets should be performed by persons not involved in the purchase transaction.

A review of the internal controls over financial transactions, warehouse inventory, and movable property indicated the following weaknesses:

- For certain journal voucher (JV) entries to the accounting system, the supervisor prepared the hard copy JV; an accountant entered the JV in the accounting system; and the supervisor approved the JV in the accounting system. The supervisor should not prepare and approve the JV.
- For the warehouse inventory, the purchasing director performed the purchasing function for inventory items; entered the purchases and issues of inventory items into the Inventory Control System (ICS) database; reconciled purchases in the accounting system to purchases in the ICS; printed ICS issue receipts; reconciled ICS receipts to Warehouse Requisitions; prepared and issued the cost center reports; participated in the annual physical inventory; adjusted the perpetual inventory amounts; supervised the warehouse personnel; and possessed a key to the warehouse, resulting in an inadequate segregation of duties.
- The purchasing director was responsible for purchasing the movable property items; assigning the tag number; recording/removing items in the movable property system (Protégé); correcting any erroneous information in Protégé; and reconciling the annual physical count to Protégé, resulting in an inadequate segregation of duties.
- The human resources director was also the security administrator for the human resources and payroll system; therefore, he could change his access to the system without anyone at the school approving the change.
- An accountant sold the meal tickets for the school cafeteria, prepared the bank deposit slip, and maintained records of the tickets sold. The accountant also prepared the monthly report for meal collections. In addition, the accountant collected the cash for the lost key and replacement identification card (ID) fees and prepared the deposit slip. Duties were not properly segregated. Receipts were not issued for the lost key and replacement ID fees.

The school did not develop and implement sufficient procedures, including segregation of duties, to ensure adequate control over certain assets and financial processes. The lack of adequate control procedures increases the risk that assets are not safeguarded and that errors and/or fraud could occur and not be detected in a timely manner.

Management should establish adequate controls to ensure that duties are adequately segregated and that assets are adequately safeguarded. Management concurred with the finding and outlined a corrective action plan (see Appendix A, pages 1-2).

Ineffective Internal Control Over Student Activity Funds

LSD did not have effective internal control over the student activity funds. School policy requires that student activity fund sponsors prepare monthly financial reconciliations, ledgers, and reconciliation reports and that the reconciliation reports be signed by an authorized person. In addition, good internal controls would ensure that assets are adequately safeguarded and accounted for timely and accurately.

During the examination of nine monthly reconciliation reports and supporting documentation, the following deficiencies were noted:

- Five of nine (56%) monthly reconciliation reports were not completed by the due date.
- Two of nine (22%) ledger sheets were not properly completed and the reconciliation reports were not signed.
- Two of nine (22%) student activity account folders did not contain the appropriate statement of account report.

Some supervisors of the student activity fund sponsors did not ensure that the sponsors timely prepared and submitted the monthly reconciliations with the required supporting documentation to the business office. Without the required monthly reconciliations and supporting documentation, LSD management cannot ensure that the money in the 44 student activity funds is properly safeguarded and accounted for accurately. For the period from July 1, 2006, to April 30, 2007, revenues for these funds totaled \$101,816 and expenses totaled \$69,839. At April 30, 2007, the balance in these funds totaled \$135,710.

School management should enforce control policies to ensure that supervisors and student activity fund sponsors comply with policies regarding monthly reconciliations of the student activity funds. Management concurred in part with the finding and outlined a corrective action plan (see Appendix A, page 3).

The recommendations in this report represent, in our judgment, those most likely to bring about beneficial improvements to the operations of the school. The varying nature of the recommendations, their implementation costs, and their potential impact on the operations of the school should be considered in reaching decisions on courses of action.

Additional Information for Consideration

The Louisiana Office of State Inspector General issued a report dated October 11, 2007, on LSD. That report included findings regarding the mismanagement of the maintenance department, misuse of LaCarte purchasing cards, and violation of the superintendent's directive. The report also noted a possible ethics violation by a maintenance employee. That report, as well as management's responses, is available through the Office of Inspector General's Web site at <http://www.doa.louisiana.gov/oig/reports.htm> or by writing to the Office of State Inspector General at Post Office Box 94095, Baton Rouge, Louisiana 70804-9095.

This report is intended solely for the information and use of LSD and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

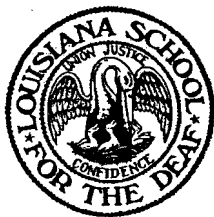


Steve J. Theriot, CPA
Legislative Auditor

STD:WG:PEP:dl

LSD07

Management's Corrective Action
Plans and Responses to the
Findings and Recommendations



Established 1852
Accredited by CEASD

LOUISIANA SCHOOL FOR THE DEAF

Post Office Box 3074, Baton Rouge, Louisiana 70821-3074

2888 Brightside Lane 70820
Telephone: (225) 769-8160
Fax: (225) 757-3424
LA Toll Free: (888) 769-8111
www.lalsd.org

September 11, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

This is in response to the audit finding titled **"Inadequate Internal Control over Certain Assets and Financial Transactions"**. We acknowledge that the school did not maintain adequate internal control over certain assets and financial transactions and LSD management did not provide for an adequate segregation of duties, therefore we concur with the finding. The following procedures have been implemented to ensure that duties are adequately segregated and that assets are adequately safeguarded.

The school recently experienced a loss of 50 positions, including an accountant who processed journal voucher (JV) entries to the accounting system and an accounting supervisor who approved journal vouchers. In order to provide additional controls with the limited number of staff remaining in the Accounting Department, the supervisor will now prepare the hard copy JV; the accountant will enter the JV into the accounting system and the School Business Manager will approve the JV in the accounting system.

With the recent reorganization of the Business Division, the warehouse and property control management functions have been moved to a newly formed Operations Section reporting directly to the Director. The Purchasing Department will remain under the supervision of the School Business Manager and will continue to perform the purchasing function for inventory items. Operations support personnel will be responsible for supervising the Warehouse personnel, entering the purchases and issues of inventory items into the Inventory Control System (ICS) database, reconciling purchases in the accounting system to purchases in the ICS; printing ICS issues, reconciling ICS receipts to the Warehouse Requisitions, and preparing and issuing the cost center reports. To further segregate warehouse duties, the Accounting Department will conduct the annual physical inventory, with assistance from Operations Section personnel. Operations personnel will reconcile the inventory, prepare an inventory adjustment document and submit to the School Business Manager for approval. Once approved, the adjustment document will be entered into ICS by accounting personnel. Neither the School Business Manager nor the Purchasing Director will have keys to the Warehouse Building.

As stated above, the property management functions have been moved to the Operations section. The Purchasing Department will continue to perform purchasing

functions for movable equipment. Once equipment is received, the Purchasing Department will forward a copy of the purchase order to the Operations management personnel. A manager in the Operations Section will assign a tag number to the item, log the assignment into a New Acquisition Tag log, and forward the acquisition form and tag to the Property Control Officer. The Property Control Officer is responsible for tagging the items, recording/removing and maintaining items in Protégé, and assisting in the annual property inventory. A request must be made to LPAA, and back-up documentation submitted, to correct information entered into Protégé in error, such as cost, purchase date, classification, serial number, etc. The manager in the Operations Section is responsible for reconciling the annual property inventory and compiling the annual certification. The School Business Manager reviews and approves the annual certification prior to submission to DOA/LPAA. In addition, the Operations section compiles an annual report of property additions and deletions that is submitted to the School Business Manager for inclusion in the Annual Financial Report.

The Human Resources Director has been removed as the security administrator for the human resources and payroll system. This function has been assigned to the School Information Systems Manager.

The school will be implementing the following procedures to properly segregate the duties for the sale of meal tickets, keys and identification cards (ID). An employee other than an accountant will be responsible for selling the meal tickets. The accountant will prepare the deposit slip and another employee will deposit the funds. The accountant supervisor will be responsible for the bank reconciliation, maintaining the records and the monthly reports. The same process will be followed for the sale of lost keys and identification cards. Receipts are now being issued for fees collected for replacement identification cards by Human Resources for the employees and the Admissions Department for students.

The contact person responsible for the corrective action is Mr. Kenneth David, Interim Director. We have completed the segregation of duties part of the corrective action plan. The monitoring and reporting part of the plan will be on going.

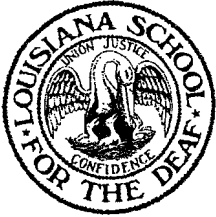
Should you need any additional information, please feel free to contact me at (225) 769-8160.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth David", written in a cursive style.

Kenneth David
Interim Director

c: Cline Jenkins, Director, Special School District



Established 1852
Accredited by CEASD

Louisiana School for the Deaf

Post Office Box 3074, Baton Rouge, Louisiana 70821-3074

2888 Brightside Lane 70820
Telephone: (225) 769-8160
Fax: (225) 757-3424
LA Toll Free: (888) 769-8111
www.lalsd.org

July 3, 2007

Mr. Steve J. Theriot, CPA
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Mr. Theriot:

This is in response to the audit finding titled "Ineffective Internal Control Over Student Activity Funds". We acknowledge that this was a weakness during the audit period and concur in part with the audit finding. We feel the school has proper procedures in place to provide effective internal controls; however, we concur that during the last fiscal year, some supervisors did not ensure the timely submission of monthly reconciliation and supporting documentation. We concur with the recommendation that school management should enforce control policies.

The school recently experienced a loss of 50 positions including the School Bank Teller who previously monitored these funds to ensure compliance with the established internal controls. Management has implemented the following corrective action plan. We have reviewed the individual fund purposes and consolidated funds reducing the total number of funds from 44 to 29. The responsibilities for maintaining ledgers inclusive of monthly reconciliation have been centralized within each Division, reducing the number of fund sponsors. Each Division Head has been assigned the responsibility of tracking the monthly reconciliation to ensure they are prepared timely. Each Division Head will be responsible for providing quarterly reports of the status of the ledgers at the appropriate Leadership Team Meeting.

The contact person responsible for the corrective action is Ms. Audrey Gaultier, Interim School Business Manager. We have completed the consolidation of funds and the centralization of duties part of the corrective action plan. The monitoring and reporting part of the plan will be on going.

Should you need any additional information, please contact Ms. Audrey Gaultier, Interim School Business Manager or myself at 769-8160.

Sincerely,

Kenneth David
Interim Director

cc: Mr. Cline Jenkins, Director, Special School District
Ms. Audrey Gaultier, Interim School Business Manager